

**MINUTES
REGULAR MEETING
UTILITY SERVICE BOARD
SEPTEMBER 21, 2009**

The Regular Meeting of the Utility Service Board of the City of Jasper, Indiana, was held in the Council Chambers of City Hall in Jasper at 7:00 PM on Monday, September 21, 2009.

The meeting was called to order by Chairman Alex Emmons.

UPON CALL OF THE ROLL, THE FOLLOWING WERE PRESENT:

Alex Emmons – Chairman
Wayne Schuetter – Vice Chairman
Rick Stradtner - Secretary
Doug Schulte – Water Commissioner
Mike Harder – Wastewater Commissioner
Greg A. Krodel – Gas Commissioner
Ken Sendelweck – Electric Commissioner

ALSO PRESENT:

Jerry Schitter – Electric Distribution Manager
Windell Toby – Electric Generation Manager
Michael A. Oeding – Gas & Water Manager
Ed Hollinden – Wastewater Manager
Bud Hauersperger – General Manager
Sandy Hemmerlein – City Attorney

PLEDGE OF ALLEGIANCE (A-17)

Chairman Alex Emmons led the Pledge of Allegiance.

APPROVAL OF MINUTES (A-25)

Chairman Alex Emmons presented the minutes of the August 17, 2009, Regular Meeting and there being no corrections or amendments, asked for a motion to approve. Mike Harder made a motion to approve the minutes of the August meeting as presented. Wayne Schuetter seconded the motion. Motion approved, 7-0.

PETITION TO VACATE PORTION OF FORMER 2ND STREET (A-35)

Sandy Hemmerlein stated that Jasper Leasing, Inc. filed a petition to vacate a portion of the former 2nd Street, adjacent to their property. Mike Hochgesang is the president. Approximately 10 years ago, there was an agreement between the City and Jasper Leasing that when the road work was done that there would be a swap of property. It has recently come to Mr. Hochgesang's attention that this property swap never happened.

Hemmerlein did verify this was in fact the agreement. All of the department managers were asked about any potential problems. All managers were fine with the vacation, but Mike Oeding wanted to point out that the gas service line is in the vacation area. In the event that Jasper Leasing ever built on this location the gas service line would have to be moved at Jasper Leasing's expense. Mike Hochgesang said he did not have a problem with that.

Doug Schulte made a motion to recommend to the Common Council the vacation of a portion of the former 2nd Street as presented. Greg Krodel seconded the motion. Motion approved, 7-0.

REPORT ON POWER PLANT (A-128)

Windell Toby stated the Power Plant is still down and not running. They have been doing some routine maintenance on the pumps. They are also rotating the pumps, circulating the water in the cooling tower, and keeping soft water in the water tanks, in case of the need to run, while the plant is idle.

ELECTRIC PLANNING COMMITTEE REPORT (A-161)

Ken Sendelweck, Chairman of the Electric Planning Committee, stated the committee had met twice on September 4th and September 21st to discuss the future of the Power Plant.

Sendelweck said the grant application was submitted on time on 9/3/09. The due diligence was also continued as to the options for the power plant. Other municipal electric utilities, such as Peru and Crawfordsville, are in the same boat as Jasper, trying to figure out what to do with their generation plants. The Committee also discussed having an appraisal done to determine the market value of the power plant.

This morning, Sendelweck said the Committee met with Bingham McHale to discuss their thoughts on the project synopsis. The grant money is a 50/50 match for an approximate \$10 million biomass project. Sendelweck reiterated that if the \$5 million grant money is received, it does not mean that Jasper will go through with the biomass project. All options would be investigated before a decision is made to accept the grant money. The Committee felt that if there was money available to help subsidize a possible project, it should be applied for.

Some technical information was needed for the grant application and Black and Veatch was hired to put together the engineering information for the grant application. Sandy Hemmerlein stated she needed approval for the agreement with Black and Veatch for their engineering services provided for the grant application for a fee not to exceed \$10,000.

Ken Sendelweck made a motion to approve the agreement with Black and Veatch for a fee not to exceed \$10,000. Wayne Schuetter seconded the motion. Motion approved, 7-0.

Bud Hauersperger then went on to say that the Committee wants to establish a base case or have an appraisal done to determine the market value of the power plant "as is" and also what the expected value would be should it be converted to a biomass plant. Bingham McHale has recommended that Black and Veatch do the appraisal since they are already familiar with the plant through the grant application process and also because they have the necessary expertise to appraise the power plant. Hauersperger asked the Board for approval to contact Black and Veatch to formalize a proposal to do an appraisal on the power plant.

Ken Sendelweck made a motion to allow Bud Hauersperger to contact Black and Veatch to put together a proposal for appraising the power plant. Mike Harder seconded the motion. Sandy Hemmerlein and Bud Hauersperger pointed out that Black and Veatch are either the first or second largest electrical engineering firm in the world and are on the leading edge of the biomass revolution. Motion approved, 7-0.

Hauersperger stated that he has been talking with Pete Grills, a Bingham McHale consultant, about more possible grant applications that the City could apply for. A grant program from the Indiana Office of Energy Development has \$879,000 available in grants right now. They are offering a maximum of \$100,000 per project. This type of money could be used to cover the Phase I costs of the base case or appraisal. Hauersperger said this application is due Wednesday, but should be easier to complete since all of the information was already compiled for the first grant application. Hauersperger estimates that it should only cost \$2,000 to \$3,000 to complete the application.

Ken Sendelweck stated that Bingham McHale informed the Committee that there are a lot of grants applications available now due to Federal Stimulus and State money being available. Sendelweck stated that the Committee would like to take advantage of any grant applications that become available that Bingham McHale recommends the City submit.

Ken Sendelweck made a motion to pursue the Alternative Power and Energy grant program as suggested by Bingham McHale, under the circumstances that the application can be completed on time, with an assumed minimal cost. Wayne Schuetter seconded the motion. Motion approved, 7-0.

Sendelweck stated other options are also being investigated. Hauersperger and Mayor Schmitt have had discussions with Agrosil Energy, LLC on alternatives it could possibly provide the City. Hauersperger has asked Agrosil to put something in writing as to what they could provide the City and what their specific strengths are.

The net metering concept was also discussed at today's Committee meeting. Jerry Schitter explained that net metering applies to customers that generate electricity by wind, solar, biomass, geothermal, or hydroelectric, which are all considered "green" sources of power. In the rare case the customer generates more electricity than it uses, this will pay them back for what they did not use.

Schitter was contacted and informed that Kimball was looking into installing some solar panels. Since there is now interest in net metering in this area, an ordinance needs to be established to address the issue of the possible excess electricity these customers could generate. Schitter and Hemmerlein are working on a Resolution and will be presenting it at the next USB meeting.

Ken Sendelweck finalized by saying that the Committee is planning to schedule another meeting within the next two weeks to go over the Black and Veatch proposal for an appraisal.

PERMISSION TO USE CITY QUOTE FOR BLACKTOP TO PAVE ACCESS ROAD
(A-452)

Mike Oeding is asking the Board's permission to use the City's quote for blacktop to pave the access road at the Eastown Gas Regulator Station. Oeding said they opened quotes in June and most of them did not make any sense and were rejected. Oeding has since found out that he can use the City's quote for paving from J H Rudolph to get the work done. They had previously quoted \$15,039. The paving needs to be done before winter, as it is severely deteriorated.

Wayne Schuetter made a motion to use the City's quote for asphalt from J H Rudolph to pave the access road at the Eastown Gas Regulator Station for a fee not to exceed \$16,000. Greg Krodel seconded the motion. Motion approved, 7-0.

CHANGE ORDER FOR MORTON BUILDINGS (A-515)

Mike Oeding stated he has the change order for Morton Buildings that they were holding. Since the project was put on hold for a short while, it was felt that Morton Buildings needed more time to complete the building since they are getting a late start. There is also a deduction on the change order for the removal of the interior trench drain for \$2,438. City Engineer, Chad Hurm has completed the change order. Morton will now be given until December 1, 2009, for substantial completion of the storage building and until January 1, 2010, for final completion. The total cost of the project will now be \$58,952.

Doug Schulte made a motion to approve Change Order #1 for the completion of the vehicle storage building. Rick Stradtner seconded the motion. Motion approved, 7-0.

GAS PLANNING COMMITTEE REPORT (A-536)

Greg Krodel, Chairman of the Gas Planning Committee, stated the committee met in a joint meeting with the Water Planning Committee on September 3, 2009. The purpose was to discuss short term cost cutting measures for the Water Department.

The Gas Committee was present because they share storage space with the Water Department and pay rent for the storage space. There was discussion on whether the rental amount was adequate. Currently the Gas Department pays \$1,250 per month. After consulting with a local realtor on current prices for rental of like spaces, it was determined that the Gas Department should be paying approximately \$1,600 per month. It was also determined that the Water Department is paying for all of the utility charges. The utilities average \$4,500 per month.

The two Committees agreed on changing the monthly rental amount from \$1,250 to \$2,000 to cover the increased amount for rental space and to also help cover the utility charges.

The Committees also discussed the completion of the vehicle storage building. This building is mostly used by the Gas Department. The shell of the building was paid for by the Water Department. Both Committees agreed that the Gas Department would pay for the completion of the inside of the storage building for \$58,952. They would then have co-ownership of the building. This was approved by the State Board of Accounts.

Krodel said both the Gas and Water self-insurance funds were examined. The balance in each of these accounts is over \$200,000. There has not been a draw on either of these accounts since they were created. The Committees agreed there needs to be a cap of \$200,000 in these accounts and the excess needs to be transferred back to the O&M fund. (These funds were funded by monthly transfers of \$2,000 from the O&M fund to the Self-Insurance fund.) Should any money be drawn out of these accounts in the future, the monthly \$2,000 transfer would be reinstated until the balance again reached \$200,000.

WATER PLANNING COMMITTEE REPORT (A-615)

Doug Schulte, Chairman of the Water Planning Committee, stated the Committee met on both September 3rd and September 16th. The first meeting covered some short-term cost cutting measures for the Water Department.

It was discussed that the O&M fund is required to have a balance of approximately \$300,000, which is equal to two months of O&M expenses due to the outstanding bond. This has been achieved by transferring money from the Depreciation fund to the O&M fund each month. Now the Depreciation fund has diminished. Oeding has also eliminated overtime and the Committee has capped the balance on the Self Insurance fund.

On September 16th, the Committee reviewed the rate study completed by Umbaugh. Three different alternatives were presented to increase the water rates to correct the problem. (The water sales from the Power Plant were backed out of the sales figures, due to the uncertainty of the state of the Power Plant.) Alternative #1 proposed a 37% rate increase. This alternative provided an allowance for replacements and improvements equal to the depreciation expense and did not allow for the mandated improvements that are needed at Beaver Lake.

Alternative #2 proposed a 47% rate increase. This alternative provided an allowance for replacements and improvements equal to the average annual capital improvements for years 2010 to 2012 as presented by the Water Dept. in the Capital Improvement Plan and also does not allow for the mandated improvements that are needed at Beaver Lake.

Alternative #3 proposed a 41% rate increase. This alternative provided an allowance for replacements and improvements equal to the average annual capital improvements for years 2010 to 2012 as presented by the Water Dept. in the Capital Improvement Plan, less the main extensions and improvements. It also assumes a \$3.5 million wrapped bond issue amortized over 14 years to cover the improvements needed on the North Tank, main extensions and improvements, and the mandated Beaver Lake improvements.

The last rate study was done in 2003, in which Umbaugh proposed a 28% increase. The board at that time only passed a 19% increase, which was phased in with a 9% increase in 2004, a 5% increase in 2005, and a 5% increase in 2006.

There were questions as to whether the data from the test year was a good basis for the study. The consultant from Umbaugh said he felt the test year was pretty normal. They have been doing many rate studies and this seems to be the new “normal.”

There was then discussion about whether the rate increase could be phased in over a period of time. Umbaugh said due to the low funds, they did not recommend phasing in the increase.

Schulte also pointed out that Jasper has one of the lowest water rates comparing to surrounding Indiana communities.

Schulte said the Committee recommends increasing the water rate by the 37% in Alternative #1 and to institute the increase all at one time as soon as possible. This rate would still keep Jasper on the lower end of spectrum comparing rates with surrounding communities. Schulte said the 37% increase only covers the basic needs, routine maintenance, etc. The Water Department will try to cut out as many capital expenditures over the next few years as possible, except for the improvements that have to be done to stay in compliance. This will increase the average residential customer's bill by a little over \$10 per month.

Bulk water sales were also looked at and adjusted. They were not previously in the Ordinance, but have been added. There will now be a \$10 minimum charge for 1,000 gallons, and \$.36 per each additional 100 gallons. This would get the costs close to what residential customers would be paying.

Rick Stradtner made a motion to approve Resolution #USB 2009-3, raising the monthly storage rental amount from Water to Gas to \$2,000 and to clarify the co-ownership of the vehicle storage building. Greg Krodel seconded the motion. Motion approved, 7-0.

Wayne Schuetter made a motion to approve Resolution #USB 2009-4, to cap the Water Self Insurance fund at \$200,000, and to transfer the excess back to the O&M fund, and to start the \$2,000 contributions should the balance fall below \$200,000. Mike Harder seconded the motion. Motion approved, 7-0.

Ken Sendelweck made a motion to approve Resolution #USB 2009-5, to cap the Gas Self Insurance fund at \$200,000, and to transfer the excess back to the O&M fund, and to start the \$2,000 contributions should the balance fall below \$200,000. Greg Krodel seconded the motion. Motion approved, 7-0.

Doug Schulte made a motion to approve Resolution #USB 2009-6, recommending to the Common Council an increase in water rates by 37% across the board. Sandy Hemmerlein stated that in the best case scenario, these increases will not show up on customers' bills until the billing done after December 1, 2009, which would be due on January 10, 2010. Mike Harder seconded the motion. Motion approved, 7-0.

MANHOLES RE-LINED (A2-190)

Ed Hollinden stated that 15 manholes have been relined at \$270 per vertical foot, for a fee not to exceed \$30,000.

WASTEWATER PLANNING COMMITTEE REPORT (A2-197)

Mike Harder, Chairman of the Wastewater Planning Committee, stated the committee met on September 17th to discuss the infiltration issues on Terrace Avenue.

The Committee discussed the infiltration issues on the west end of Terrace Avenue contributing to the flooding of the Hochgesang lift station during substantial rains. The Wastewater

Department did some testing and of the 23 homes, 16 would fail a sewer inspection. After all of the research the Committee feels it is time to address the issue on Terrace Avenue.

Ed Hollinden would like to send a letter to the customers in this area to inspect their lateral lines from their homes to the mains. If the customer has a problem with their line, they will be required to hire a plumber to fix the problem. Hollinden obtained estimates from various plumbers to determine the cost to reimburse the customer for either pushing a 4" line or replacing a 6" line from the curb to the main. The Committee suggests the amounts not to exceed \$2,500 for a 4" line or \$4,000 for a 6" line. The Wastewater Department would then reimburse the customer or the plumber directly, the cost to replace the line from the curb to the main, as an incentive to getting their lines inspected and repaired. (All of the line is the customer's responsibility, but the Wastewater Department is taking responsibility for the part from the curb to the main.)

Once the customer's lines are inspected and they have failed, they are required to fix the lines. If they do not, the Ordinance states that the customer could be fined or have their water shut-off. After the customer gets the line repaired, their passed inspection will be good for 3 years. The Wastewater Department will replace the section from the curb to the main for all of the homes.

Hollinden would like to send the letters out to customers by the end of September. He will set a deadline in the letter that lateral line inspections need to be done by the end of October. If the customer's lines fail the inspection, they will have until 3/31/10 to get their lines repaired. Hollinden will also hold an informational meeting with the customers in the area to better explain the situation and to answer any questions they have.

Terrace Avenue has already been relined and this project is being suggested as a test run only to be proactive in fixing the infiltration that is still occurring. The Wastewater Department is trying to extend the life of the treatment plant. If it is successful, this type of project could be instituted on some other problem streets that have been relined.

With the \$100,000 capital expenditure amount redirected to this project, the worst case scenario would be 22 homes x \$4,000 or \$88,000.

Mike Harder made a motion to approve the project area, the west end of Terrace Avenue, and to move forward as outlined for costs not to exceed \$2,500 for a 4" pipe or \$4,000 for a 6" pipe, per home, from money redirected from the sewer relining capital expenditure. Ken Sendelweck seconded the motion. Motion approved, 7-0.

RESOLUTION RECOMMENDING SALARIES & WAGES FOR 2010 (A2-545)

Bud Hauersperger presented Resolution #USB 2009-7, recommending salaries and wages for Utility employees for the year 2010. There will be no increase in rates or salaries for 2010, due to the economy.

Wayne Schuetter made a motion to approve Resolution #USB 2009-7, recommending the salaries and wages for utility employees for 2010 to the Common Council. Rick Stradtner seconded the motion. Motion approved, 7-0.

ASSET DISPOSAL AUTHORIZATIONS (A2-564)

Hauersperger presented asset disposal authorizations for items that the Utility Departments would like disposed of. Some items will be auctioned at the City Wide Auction on October 24, 2009. Other items will be scrapped. The listed assets will be taken off of the books after approval is given.

Doug Schulte made a motion to authorize asset disposals per the lists as presented by Bud Hauersperger. Mike Harder seconded the motion. Motion approved, 7-0.

BUSINESS OFFICE SOFTWARE PROPOSAL (A2-592)

Hauersperger said he hoped to have a proposal by tonight, but is having some issues with the company that he wanted to use. They have changed the timeline that was promised during the initial negotiations. They had originally promised to have the software implemented by January or February 2010. Now they say they have signed a large, new customer and their resources will be tied up with that project and they won't be able to start our project until March 2010. They expect to be finished between June and September 2010.

Hauersperger said he won't be able to meet the deadline of the end of the year and has since contacted the second choice for a software provider to see what kind of timeline they can offer.

FINANCE COMMITTEE REPORT & PRESENTATION OF CLAIM DOCKET (A2-618)

Rick Stradtner reported the Finance Committee had met and reviewed the claims on the Claim Docket.

The Finance Committee recommended approval of the claims as presented.

Ken Sendelweck made a motion to approve the claims as presented. Wayne Schuetter seconded the motion. Motion approved, 7-0.

MAYOR'S COMMENTS (A2-626)

The Mayor wanted to make the comment that the utility and the civil city employees did deserve a raise, but due to the economic condition, it was not possible to give raises for the year 2010.

There being no further business to come before the Board, the meeting was adjourned at 8:45 PM upon motion by Wayne Schuetter and second by Mike Harder. Motion approved, 7-0.

The minutes were hereby approved _____ with _____ without corrections this _____ day of _____, 2009.

Attest: _____
Secretary Chairman